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EBX
MARKETING &
TRANSPORTATION
Situation X

U.S. DEPT. OF AGRICULTURE
ECONOMIC RESEARCH SERVICE

SEP 1 1970

QUANTITATIVE ANALYSIS



MARKET FACTS

Item	Unit or base : period	1969			1970	
		Year	2nd qtr.	4th qtr.	1st qtr.	2nd qtr.
Farm-Retail Price Spreads: 1/						
Retail cost	Dol.	1,173	1,162	1,199	1,225	1,226
Farm value	Dol.	477	476	489	506	484
Farm-retail spread	Dol.	696	686	710	719	742
Farmer's share of retail cost	Pct.	41	41	41	41	39
Retail Prices: 2/						
All goods and services (CPI)	1957-59=100	127.7	126.9	130.5	132.5	134.6
All food	1957-59=100	125.5	124.1	128.7	131.3	132.4
Food at home	1957-59=100	121.5	120.3	124.5	127.1	127.7
Food away from home	1957-59=100	144.6	142.9	145.9	151.5	154.7
Wholesale Prices: 2/						
Food 3/	1957-59=100	119.0	118.1	122.1	124.8	123.2
Cotton products	1957-59=100	105.2	104.5	106.0	106.0	105.8
Woolen products	1957-59=100	104.6	104.5	104.5	104.3	103.5
Agricultural Prices:						
Prices received by farmers	1957-59=100	114	115	117	120	116
Prices paid by farmers, interest, taxes and wage rates	1957-59=100	127	128	129	132	132
Prices of Marketing Inputs:						
Containers and packaging materials	1957-59=100	115	115	116	118	119
Fuel, power, and light	1957-59=100	105	104	108	110	116
Services 4/	1957-59=100	146	144	149	151	154
Hourly Earnings:						
Food marketing employees 5/	Dol.	2.84	2.82	2.89	2.96	--
Employees, private nonagricultural sector 2/	Dol.	3.04	3.01	3.11	3.15	3.20
Farmers' Marketings and Income:						
Physical volume of farm marketings	1957-59=100	127	98	170	110	101
Cash receipts from farm marketings 6/ ..	Bil. dol.	47.2	47.4	47.6	49.0	49.0
Farmers' realized net income 6/	Bil. dol.	16.5	16.3	16.8	17.1	16.6
Industrial Production: 7/						
Food manufacturers	1957-59=100	136.7	136.5	135.8	140.2	140.9
Textile mill products	1957-59=100	153.7	156.2	151.4	151.5	149.0
Apparel products	1957-59=100	175.7	149.0	147.5	142.5	140.0
Tobacco products	1957-59=100	117.2	115.9	115.0	119.1	124.9
Retail Sales: 8/						
Food stores	Mil. dol.	75,866	18,801	19,315	20,008	20,341
Eating and drinking places	Mil. dol.	25,849	6,510	6,589	6,752	6,980
Apparel stores	Mil. dol.	20,158	5,071	5,077	4,959	5,097
Consumers' Per Capita Income and Expenditures: 9/						
Disposable personal income	Dol.	3,108	3,070	3,188	3,252	3,335
Expenditures for goods and services ...	Dol.	2,841	2,825	2,904	2,948	2,994
Expenditures for food	Dol.	518	514	530	546	551
Expenditures for food as percentage of disposable income	Pct.	16.7	16.8	16.6	16.8	16.5

1/ For a market basket of farm foods. 2/ Dept. of Labor. 3/ Processed foods, eggs, and fresh and dried fruits and vegetables. 4/ Includes such items as rent, property insurance and maintenance, and telephone. 5/ Average hourly earnings of production workers in food processing, and nonsupervisory workers in whole-sale and retail food trades, calculated from Dept. of Labor data. 6/ Quarterly data seasonally adjusted at annual rates. 7/ Seasonally adjusted, Board of Governors of Federal Reserve System. 8/ Quarterly data seasonally adjusted, Dept. of Commerce. 9/ Seasonally adjusted annual rates, calculated from Dept. of Commerce data. Percentages have been calculated from total income and expenditure data.

MARKETING AND TRANSPORTATION SITUATION

Approved by the Outlook and Situation Board, August 4, 1970

CONTENTS	
	Page
Summary	3
Farm-Food Market Basket Statistics	4
Consumer Income and Expenditures for	
Farm Products	10
The Bill for Marketing Farm-Food Products	12
Comparison of Cost Structures of Food Stores	
and Eating and Drinking Places	20
Selected New Publications	30
Quarterly Data for the Market Basket of	
Farm Foods	31

SUMMARY*

Retail food prices, after rising sharply last fall and winter, have been relatively stable in recent months. The retail cost of a market basket of farm-originated foods rose to an annual rate of \$1,226 in the second quarter of this year, up only 0.1 percent from the preceding quarter. This was the smallest quarterly increase since the fall of 1968. Consumers paid sharply higher prices for fresh fruits and vegetables and fats and oils products, but substantially lower prices for eggs.

Returns to farmers (farm value) for foods in the market basket averaged \$484 in the second quarter--4.4 percent below the level in the preceding quarter. Lower prices for animal products, especially for hogs and eggs, more than offset increases for fresh fruits and vegetables and soybeans.

Compared with a year earlier, returns to farmers for food products in 1970's second quarter varied widely. Returns for fat and oil products were up 21 percent, for fresh vegetables up 14 percent, and for meat and dairy products up about 4 percent. In contrast, returns for poultry and eggs were down around 9 percent and fresh fruits, 20 percent.

The marketing spread, as measured by the difference between the retail cost and farm value of the market basket; averaged \$742 in the second quarter of this year, 3.4 percent above the preceding quarter. This reflected the sharp drop in farm value while the retail cost of food held firm. Compared with the second quarter of 1969, marketing spreads were 8.3 percent higher. This increase in spreads accounted for about nine-tenths of the rise in the retail cost of the market basket.

Marketing spreads have increased by one-fourth since 1957-59. The average annual increase in the 1960's was 1.4 percent. Last year, the spread rose 1.9 percent, and a much larger increase is indicated for this year.

Farmers received an average of 39 cents of the dollar consumers spent for farm foods in the second quarter, 2 cents less than in both the preceding quarter and a year earlier. This is the first quarter out of the last 6 that the farmer's share has dropped below 40 cents.

* The summary of this report and a summary table were released to the press on August 4, 1970.

Marketing Bill: The marketing bill--an estimate of all costs and profits incurred in transporting, processing, and distributing farm food products--totaled \$63.2 billion in 1969, up 3.6 percent over 1968. Labor costs, nearly half of the bill, accounted for most of the increase. Profits that corporate firms derived from marketing farm foods totaled \$3.9 billion in 1969, up 5.4 percent over 1968.

Farmers received \$32.1 billion for farm-food products in 1969--10 percent more than in 1968. Increases in farm prices, particularly for livestock products, accounted for most of the increase.

Consumers spent \$95.3 billion on domestic farm foods in 1969, 5.8 percent more than in 1968. This increase mainly reflected higher food prices; purchase volume rose only slightly.

FARM-FOOD MARKET BASKET STATISTICS

Retail Cost: The retail cost of the market basket of farm foods ^{1/} averaged \$1,226 (annual rate) in the second quarter this year--only 0.1 percent more than in the first quarter (table 1). This was the smallest quarter-to-quarter increase in more than a year, braking the sharp advance in food costs that began over 2 years ago.

Although the total cost of the market basket was virtually unchanged in the second quarter, prices for some foods changed significantly. The retail cost of fresh fruits and vegetables rose the most, 7 and 5 percent respectively. Prices for fat and oil products, which have been relatively stable during the past year, rose 4 percent. Meat prices, which rose sharply in the first quarter, increased less than 1 percent. However, egg prices dropped

nearly 28 percent from the record-high level of the first quarter.

Compared with the second quarter last year, the retail cost of the market basket averaged 5.6 percent higher in the second quarter this year. Retail costs of all product groups were higher with the exception of eggs and fresh fruits. Fresh vegetable costs were 14 percent above a year ago; meats 8 percent; bakery and cereal products, 6 percent; and dairy products, 5 percent.

Consumers paid 25 percent more for market basket foods in the second quarter this year than in 1957-59 (table 2). This increase is about the same as the rise in the Consumer Price Index for all goods and services.

^{1/} The market basket contains the average quantities of domestic, farm-originated food products purchased annually per household in 1960 and 1961 by wage-earners and clerical-worker families and single workers living alone. Its retail cost is calculated from retail prices published by the Bureau of Labor Statistics. The retail cost of the market basket foods is less than the cost of all foods bought per household, since it does not include costs of meals in eating places, imported foods, seafoods or other foods not of farm origin. The farm value is the gross return to farmers for the farm products equivalent to foods in the market basket. The farm-retail spread--difference between the retail cost and farm value--is an estimate of the total gross margin received by marketing firms for assembling, processing, transporting, and distributing the products in the market basket.

Table 1.--The market basket of farm foods by food group: Retail cost, farm value, and farm-retail spread, April-June 1970, January-March 1970, and April-June 1969

Items	April-	January-	April-	Change: April-June 1970 from			
	June	March	June				
	1970	1970	1969	Jan.-Mar. 1970		Apr.-June 1969	
	Dol.	Dol.	Dol.	Dol.	Pct.	Dol.	Pct.
Retail cost 1/							
Market basket.....	1,226.42	1,224.79	1,161.74	1.63	.1	64.68	5.6
Meat products.....	379.27	377.35	349.95	1.92	.5	29.32	8.4
Dairy products.....	217.30	215.61	206.61	1.69	.8	10.69	5.2
Poultry.....	50.44	51.22	50.09	-7.78	-1.5	.35	.7
Eggs.....	38.98	54.05	39.90	-15.07	-27.9	-.92	-2.3
Bakery and cereal : products.....	183.27	180.02	172.66	3.25	1.8	10.61	6.1
Fresh fruits.....	49.01	45.82	51.73	3.19	7.0	-2.72	-5.3
Fresh vegetables....	87.63	83.21	77.20	4.42	5.3	10.43	13.5
Processed fruits : and vegetables....	126.23	125.42	124.93	.81	.6	1.30	1.0
Fats and oils.....	40.37	38.90	37.82	1.47	3.8	2.55	6.7
Miscellaneous : products.....	53.92	53.19	50.85	.73	1.4	3.07	6.0
Farm value 2/							
Market basket.....	483.88	506.35	476.25	-22.47	-4.4	7.63	1.6
Meat products.....	210.21	220.10	202.42	-9.89	-4.5	7.79	3.8
Dairy products.....	104.24	104.76	100.20	-.52	-.5	4.04	4.0
Poultry.....	23.18	24.84	25.36	-1.66	-6.7	-2.18	-8.6
Eggs.....	22.40	36.20	24.78	-13.80	-38.1	-2.38	-9.6
Bakery and cereal : products.....	35.26	34.63	33.80	.63	1.8	1.46	4.3
Fresh fruits.....	13.41	12.32	16.81	1.09	8.8	-3.40	-20.2
Fresh vegetables....	28.95	28.03	25.39	.92	3.3	3.56	14.0
Processed fruits : and vegetables....	24.12	24.95	27.81	-.83	-3.3	-3.69	-13.3
Fats and oils.....	12.41	10.82	10.28	1.59	14.7	2.13	20.7
Miscellaneous : products.....	9.70	9.70	9.40	--	--	.30	3.2
Farm-retail spread							
Market basket.....	742.54	718.44	685.49	24.10	3.4	57.05	8.3
Meat products.....	169.06	157.25	147.53	11.81	7.5	21.53	14.6
Dairy products.....	113.06	110.85	106.41	2.21	2.0	6.65	6.2
Poultry.....	27.26	26.38	24.73	.88	3.3	2.53	10.2
Eggs.....	16.58	17.85	15.12	-1.27	-7.1	1.46	9.7
Bakery and cereal : products.....	148.01	145.39	138.86	2.62	1.8	9.15	6.6
Fresh fruits.....	35.60	33.50	34.92	2.10	6.3	.68	1.9
Fresh vegetables....	58.68	55.18	51.81	3.50	6.3	6.87	13.3
Processed fruits : and vegetables....	102.11	100.47	97.12	1.64	1.6	4.99	5.1
Fats and oils.....	27.96	28.08	27.54	-.12	-.4	.42	1.5
Miscellaneous : products.....	44.22	43.49	41.45	.73	1.7	2.77	6.7

1/ Retail cost of average quantities purchased annually per household in 1960-61 by urban wage earner and clerical-worker families and single workers living alone, calculated from retail prices collected by the Bureau of Labor Statistics.

2/ Payment to farmer for equivalent quantities of farm products minus imputed value of byproducts obtained in processing.

Table 2.--The market basket of farm foods: Retail cost, farm value, farm-retail spread, and farmer's share of retail cost, averaged 1947-49 and 1957-59, annual 1960-69, monthly 1969-70 1/

Year and month	Retail cost	Farm value	Farm-retail spread	Farmer's share
	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Percent</u>
Average:				
1947-49	890	441	449	50
1957-59	983	388	595	39
1960	991	383	608	39
1961	997	380	617	38
1962	1,006	384	622	38
1963	1,013	374	639	37
1964	1,014	374	640	37
1965	1,038	408	630	39
1966	1,095	443	652	40
1967	1,080	414	666	38
1968	1,118	435	683	39
1969 <u>2/</u>	1,173	477	696	41
<u>1969 3/</u>				
January	1,138	446	692	39
February	1,136	452	684	40
March	1,141	460	681	40
April	1,150	462	688	40
May	1,157	473	684	41
June	1,178	494	684	42
July	1,190	497	693	42
August	1,197	495	702	41
September	1,196	485	711	41
October	1,187	477	710	40
November	1,195	491	704	41
December	1,215	499	716	41
<u>1970 2/ 3/</u>				
January	1,223	501	722	41
February	1,227	509	718	41
March	1,224	509	715	42
April	1,225	487	738	40
May	1,227	485	742	40
June	1,227	480	747	39
July				
August				
September				
October				
November				
December				

1/ Retail cost of average quantities purchased annually per household in 1960-61 by urban wage-earner and clerical-worker families and single workers living alone, calculated from retail prices collected by the Bureau of Labor Statistics. Data for earlier years are published in Farm-Retail Spreads for Food Products 1947-64, ERS-226, April 1965. 2/ Preliminary. 3/ Annual rates.

Farm Value: Farm value of foods in the market basket totaled \$484 (annual rate) in the second quarter of this year, up more than a fourth from 1957-59 but down 4.4 percent from the preceding quarter. Lower returns to farmers for animal products, especially hogs and eggs, accounted for most of the decrease from the first to second quarter this year. In contrast, returns for fresh fruits and vegetables and soybeans increased sharply.

Compared with a year earlier, returns to farmers for market basket foods were up 1.6 percent in the second quarter. Higher returns for meat products, dairy products, bakery and cereal products, fresh vegetables, and oilseeds were accompanied by lower returns for poultry, eggs, fresh fruit, and processed fruits and vegetables.

Farm-Retail Spread: Sharply higher marketing spreads in the second quarter this year more than offset the decrease in the farm value of the market basket. The spread between the retail cost and the farm value of market basket foods average \$742 (annual rate), \$24 or 3.4 percent more than in the previous quarter. Spreads widened for all product groups except eggs and fats and oils. Increases were sharpest for meat products, particularly beef, and for fresh fruits and vegetables.

Compared with a year earlier, the second quarter spread for market basket foods was 8.3 percent higher. Spreads for all product groups were larger than a year earlier. Spreads for meat products, eggs and poultry, and fresh vegetables were up between 10 and 14 percent. The increase in the marketing spread accounted for practically all of the increase in the retail cost of the market basket.

Marketing spread increased at an average annual rate of 1.4 percent in the 1960's. In 1969, however, the spread rose 1.9 percent. A much greater rise is likely for 1970, as indicated by data for the first half.

Farmer's Share: Farmers received an average of 39 cents of the dollar consumers spent for domestic farm foods in retail food stores during the second quarter. This was 2 cents less than in both the previous quarter and a year earlier, reflecting the decline in returns to farmers for food products. For the 5 quarters prior to the second quarter this year, the farmer's share averaged 40 cents or more. During the past 10 years, the quarterly average has varied from 36 to 42 cents, a level reached in the summer of 1969.

Commodity Highlights

Beef: Beef prices edged higher at both the retail and farm levels in the second quarter this year in response to stronger consumer demand. The retail price of Choice beef averaged 99.3 cents per pound in the second quarter--up 1.2 cents from the first quarter. Since the farm value did not increase quite as much, the farm-retail spread widened slightly (table 3).

The retail price for Choice beef in the second quarter of this year averaged 1.5 cents per pound higher than a year earlier, but the farm value was 6.0 cents lower. Thus the marketing spread was 7.5 cents higher. This increase was mainly in the carcass-retail spread which is primarily the retailer's margin. The farm-carcass spread, primarily the packer's margin, also increased.

Pork: Slightly larger supplies of hogs lowered prices at both the retail and farm level from the first to the second quarter of this year. The retail price of pork average 80.0 cents per pound in the second quarter--down 1.8 cents from the first quarter. The farm value of pork was down 6.3 cents from the previous quarter to 41.9 cents. Since farm value went down more than the retail price, the farm-retail spread widened sharply by 4.5 cents.

Table 3.--Beef, pork, and lamb: Retail price, carcass value, farm value, farm-retail spread, and farmer's share of retail price. annual 1967-69, quarterly 1969-70 1/

Date	Retail price	Carcass	Gross	Byproduct	Net	Farm-retail spread			Farmer's
	per pound	value	farm value	allowance	farm value	Total	Carcass-retail	Farm-Carcass	
	<u>2/</u>	<u>3/</u>	<u>4/</u>	<u>5/</u>	<u>6/</u>	Cents	Cents	Cents	Percent
Beef, Choice grade									
1967	82.6	59.4	57.0	4.0	53.0	29.6	23.2	6.4	64
1968	86.6	63.1	60.5	3.8	56.7	29.9	23.5	6.4	65
1969	96.3	68.7	66.9	4.7	62.2	34.1	27.6	6.5	65
1969									
Jan.-Mar. . .	90.1	66.1	63.7	4.0	59.7	30.4	24.0	6.4	66
Apr.-June . .	97.8	74.6	73.3	4.8	68.5	29.3	23.2	6.1	70
July-Sept. . .	101.0	69.7	67.9	5.1	62.8	38.2	31.3	6.9	62
Oct.-Dec. . .	96.3	64.3	62.8	4.8	58.0	38.3	32.0	6.3	60
1970									
Jan.-Mar. . .	98.1	68.6	66.4	4.9	61.5	36.6	29.5	7.1	63
Apr.-June . .	99.3	69.3	67.4	4.9	62.5	36.8	30.0	6.8	63
July-Sept. . .									
Oct.-Dec. . .									
Pork									
1967	67.2	51.5	37.3	2.5	34.8	32.4	15.7	16.7	52
1968	67.4	51.7	36.7	2.2	34.5	32.9	15.7	17.2	51
1969	74.3	58.5	45.5	3.2	42.3	32.0	15.8	16.2	57
1969									
Jan.-Mar. . .	68.5	52.8	38.4	2.6	35.8	32.7	15.7	17.0	52
Apr.-June . .	71.9	56.5	43.5	2.9	40.6	31.3	15.4	15.9	56
July-Sept. . .	78.0	62.1	50.3	3.5	46.8	31.2	15.9	15.3	60
Oct.-Dec. . .	78.8	62.7	49.8	3.8	46.0	32.8	16.1	16.7	58
1970									
Jan.-Mar. . .	81.8	64.7	52.3	4.1	48.2	33.6	17.1	16.5	59
Apr.-June . .	80.0	60.6	45.4	3.5	41.9	38.1	19.4	18.7	52
July-Sept. . .									
Oct.-Dec. . .									
Lamb, Choice grade									
1967	87.4	62.8	54.4	5.8	48.6	38.8	24.6	14.2	56
1968	93.6	68.2	60.0	6.4	53.6	40.0	25.4	14.6	57
1969	101.8	74.8	66.9	7.6	59.3	42.5	27.0	15.5	58
1969									
Jan.-Mar. . .	96.7	71.6	64.7	8.3	56.4	40.3	25.1	15.2	58
Apr.-June . .	101.0	77.2	67.8	7.9	59.9	41.1	23.8	17.3	59
July-Sept. . .	105.2	76.3	67.6	6.9	60.7	44.5	28.9	15.6	58
Oct.-Dec. . .	105.8	74.2	67.5	7.3	60.2	45.6	31.6	14.0	57
1970									
Jan.-Mar. . .	106.6	73.6	68.0	7.9	60.1	46.5	33.0	13.5	56
Apr.-June . .	107.0	73.5	65.4	6.5	58.9	48.1	33.5	14.6	55
July-Sept. . .									
Oct.-Dec. . .									

1/ Data for beef and pork have been extensively revised. For discussion of the revision see article in the November 1969 issue of Marketing and Transportation Situation. 2/ Estimated weighted average price of retail cuts. 3/ For quantity equivalent to 1 lb. of retail cuts: Beef: 1.41 lb. or carcass beef; pork, 1.07 lb. of wholesale cuts; lamb, 1.18 lb. of carcass lamb. 4/ Payment to farmer for quantity of live animal equivalent to 1 lb. of retail cuts: Beef, 2.28 lb.; pork, 1.97 lb.; lamb, quantity varies by months from 2.42 lb. in May to 2.48 lb. in October. 5/ Portion of gross farm value attributed to edible and inedible byproduct. 6/ Gross farm value minus byproduct allowance.

The farm-retail spread in the second quarter this year was 6.8 cents higher than a year earlier. About three-fifths of the increase was in the wholesale-retail spread and two fifths in the farm-wholesale spread. Farm value of pork was up only 1.3 cents per pound. Commercial pork production was about the same in the second this year as a year earlier.

Eggs: Egg prices declined sharply at both farm and retail levels from the first to the second quarter as production of eggs increased seasonally. The retail price of Grade A large eggs averaged 54.1 cents per dozen in the second quarter--down 20.9 cents from the first quarter to about the same level as a year ago (table 18, p. 32).

Returns to farmers for eggs dropped from the first to second quarter this year but not as much as the retail price. Thus the marketing spread decreased. In contrast, last year returns to farmers decreased more than the retail price, and the farm-retail spread widened.

Fresh vegetables: The retail cost of fresh vegetables continued to rise sharply in the second quarter of this year. Retail cost was up 5.3 percent from the first quarter chiefly because of increasing marketing spreads. Farm value increased moderately.

Prices and the marketing spread for fresh vegetables were substantially higher in the second quarter this year than a year earlier. Retail cost and returns to farmers were both up about 14 percent and the marketing spread about 13 percent. Increases in farm-retail spreads for major vegetables were as follows: green peppers, 41 percent; celery, 31 percent; onions, 28 percent; cabbage, 20 percent; and potatoes, 18 percent. Spreads for lettuce decreased 3 percent (table 19, p. 33).

Fats and oils: Retail cost of fats and oils, such as margarine and shortening, in the second quarter averaged about 7 percent above a year earlier. Most of the rise resulted from sharply higher returns to farmers for oilseeds--primarily soybeans. Marketing spreads increased slightly.

New Reference Publication on How Statistical Series of Agricultural
Marketing Costs and Charges Are Constructed and Used

Two major statistical series are maintained by the Economic Research Service to meet current and continuing needs for information on food marketing costs and the farmer's share of the consumer's food dollar. These are the market basket and marketing bill statistics. The market basket statistics are published quarterly in this report while the marketing bill statistics are published each year in the August issue.

Recently a new reference publication was issued describing in detail how these two series are constructed and what they represent. This publication is Volume 4 of Agricultural Handbook No. 365, "Major Statistical Series of the U.S. Department

of Agriculture - How They Are Constructed and Used." It describes concepts and definitions used, how the data are obtained, tabulated, and analyzed, and reliability of the series. It describes, for example, the relative importance of different foods in the market basket, how farm values of foods are calculated, and the commodity flow method of estimating the marketing bill.

Single copies of Agricultural Handbook No. 365, Volume 4 "Agricultural Marketing Cost and Charges" are available free from the Division of Information, Office of Management Services, U. S. Department of Agriculture, Washington, D. C. 20250.

CONSUMER INCOME AND EXPENDITURES FOR FARM PRODUCTS

Consumer expenditures for all food (domestic farm foods as well as imported foods and seafoods) and other products primarily of farm origin continued to increase in 1969, boosted by an increase of 5.8 percent in personal disposable income (table 4). Consumers spent \$895 per person for food, alcoholic beverages, clothing and shoes, and tobacco products. This was an increase of 5.4 percent over 1968, and represented nearly 29 percent of consumer disposable income.

Personal disposable income rose to \$3,335 per person (seasonally adjusted annual rate) in the second quarter this year (see table on inside of front cover). Increased social security payments, reduced income taxes, and rising wage rates are expected to further boost personal incomes during the remainder of the year. Thus, further increases in consumer expenditures for farm products are anticipated this year.

Food

Consumer expenditures for food amounted to \$518 per person in 1969, up 4.6 percent from 1968. This trailed the 4.9 percent rise the preceding year. Spending last year was affected by a smaller than usual increase in purchases of food away from home.

Although expenditures for food went up last year, the proportion of consumer income spent for food continued to decline. Food expenditures accounted for 16.7 percent (revised) of disposable income compared with 16.8 percent in 1968.

Indications are that expenditures for food will increase again this year, although the percentage of income spent for food will probably decline. Spending for food in the second quarter this year averaged \$551 per person, up 0.9 percent from the previous quarter and 7.2 percent above a year earlier.

Since 1959, consumer expenditures for food have risen 34 percent while personal disposable income has jumped nearly 63 percent. As a result, the percentage of income spent for food declined from 20.3 percent in 1959 to 16.7 percent last year.

Clothing and Shoes

Consumer expenditures for clothing and shoes rose 7 percent in 1969 to \$246 per person. The bulk of the increase reflected a rise of nearly 6 percent in retail prices.

Spending on clothing and shoes accounted for 7.9 percent of personal disposable income in 1969, up from 7.8 percent in 1968. Since 1959, spending for clothing and shoes has gone up by nearly the same percentage as consumer incomes. Consequently, the percentage of income spent for these items changed relatively little over the past decade.

Alcoholic Beverages and Tobacco

Consumer expenditures for alcoholic beverages amounted to \$81 per person last year, up about 5 percent from 1968. Spending on alcoholic beverages has risen moderately over the past decade, but the percentage of income spent for these products declined from 3 percent in 1959 to 2.6 percent last year.

Per person expenditures for tobacco products amounted to \$50 last year, up slightly over 4 percent from 1968. Although spending went up, consumption of cigarettes declined about 4 percent in 1969 in apparent response to antismoking publicity and higher retail prices.

Spending on tobacco products has gone up gradually over the past decade but the percentage of income spent for tobacco has declined. In 1969, consumers spent 1.6 percent of their income for tobacco compared with 2 percent in 1959.

Table 4.--Per capita income and expenditures for food, alcoholic beverages, shoes and clothings, tobacco, and other goods and services, 1959-69

Year	Disposable personal income	Personal consumption expenditures				
		Food <u>1/</u>	Alcoholic beverages	Clothing and shoes	Tobacco	Other goods and services

Compiled from estimates by the Office of Business Economics (OBE), National Income Division, Department of Commerce.

1/ These OBE estimates of food expenditures differ in several respects from ERS estimates of expenditures for farm foods presented in the following article "The Bill for Marketing Farm-Food Products." The OBE estimates include, but the ERS estimates exclude, the value of imported foods, seafoods, food furnished military personnel, and food consumed on farms where produced. However, the OBE estimates exclude, but the ERS estimates include, the value of food furnished hospital patients, students in boarding schools, and inmates of institutions, food furnished by Government agencies to schools and needy persons, food purchased as a business expense, and the value of food served by airlines to their passengers. (Estimates of expenditures for food, 1929-58, are published in MTS-160, February 1966.)

2/ Percentages calculated from total disposable income and expenditure data.

3/ Preliminary.

THE BILL FOR MARKETING FARM-FOOD PRODUCTS ^{1/}

The marketing bill is an estimate of the total cost of transporting, processing, and distributing U.S. farm-originated foods purchased by civilian consumers. It is the difference between consumer expenditures and farm value (fig. 1). The marketing bill statistics show the distribution of consumer expenditures between the marketing system and farmers, and the distribution of marketing costs among commodity groups and individual cost components such as labor.

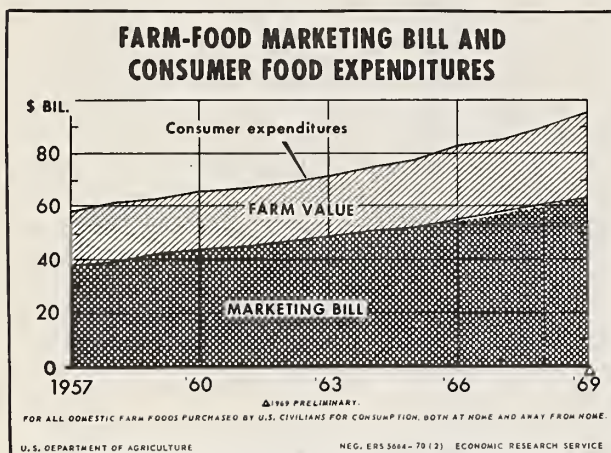


Figure 1

Consumer Expenditures

Civilian consumers spent \$95.3 billion on foods originating on U.S. farms in 1969, 5.8 percent more than in 1968 (table 5). Included in this total are expenditures for food in retail stores, food purchased in restaurants and other away-from-home eating establishments, and the value of food served by schools, hospitals, and other institutions. ^{2/}

Consumer expenditures increased for all major product groups in 1969 (table 6). Expenditures for poultry and eggs rose the most, 14 percent, largely the result of higher prices for eggs. Expenditures for meat products, the largest product group, rose 7 percent. Increases for other groups ranged from 2 percent for dairy products to 5 percent for fruits and vegetables.

The increase in consumer expenditures for farm foods in 1969 was about equal to the rise in food prices. Retail store prices of farm foods rose nearly 5 percent and prices in away-from-home eating establishments rose by 6 percent. Both expenditures and food prices reflected increases in farm value (gross returns to farmers for food products) and the marketing bill.

Farm Value

Farmers received \$32 billion for farm food products in 1969, 10.5 percent more than in 1968. Increases in farm prices, particularly livestock products, accounted for most of the increase in farm value. The farm value of all major product groups rose in 1969. Farm value of poultry and eggs rose the most, almost 20 percent. Farm value of meat products rose 15 percent, bakery products 7 percent, and dairy, grainmill, and fruits and vegetables about 4 percent. Except for fruits and vegetables, the percentage increases in farm value were greater than increases in consumer expenditures.

The increase in farm value represented about three-fifths of the \$5.1 billion increase in consumer expenditures

^{1/} Prepared by Jeanette Findlay and Leland Southard, Agricultural Economists, Marketing Economics Division.

^{2/} Excluded are expenditures for imported foods, fish and other foods not originating on U.S. farms, alcoholic beverages, food consumed on farms where produced, and military food purchases. Foods are valued at retail store prices except foods sold in the form of meals and those sold at less than retail prices which are valued at the point of sale.

Table 5.--Marketing bill, farm value, and consumer expenditures for domestic farm-food products bought by civilians, 1947-69

Year	Total marketing bill	Farm value 1/	Civilian expendi- tures for farm foods 2/	Year	Total marketing bill	Farm value 1/	Civilian expendi- tures for farm foods 2/
Billion dollars				Billion dollars			
1947. . .	22.6	19.3	41.9	1959. .	42.2	20.9	63.1
1948. . .	24.9	19.9	44.8	1957-59			
1949. . .	26.0	17.4	43.4	av. . .	39.9	20.9	60.8
1947-49				1960. .	44.2	21.7	65.9
av. . .	24.5	18.9	43.4	1961. .	45.1	22.0	67.1
1950. . .	26.0	18.0	44.0	1962. .	46.9	22.4	69.3
1951. . .	28.7	20.5	49.2	1963. .	48.9	22.6	71.5
1952. . .	30.5	20.4	50.9	1964. .	51.2	23.4	74.6
1953. . .	31.5	19.5	51.0	1965. .	52.1	25.5	77.6
1954. . .	32.3	18.8	51.1	1966. .	54.7	28.1	82.8
1955. . .	34.4	18.7	53.1	1967. .	57.5	27.3	84.8
1956. . .	36.3	19.2	55.5	1968. .	61.1	29.0	90.1
1957. . .	37.9	20.4	58.3	1969 3/	63.2	32.1	95.3
1958. . .	39.5	21.5	61.0				

1/ The farm value is the gross return to farmers for products equivalent to those sold to consumers. Values of inedible byproducts, nonfood products, and exports are not included.

2/ Consumer expenditures for domestic farm-food products; excluded are expenditures for imported foods, seafoods, and other foods of nonfarm origin.

3/ Preliminary. (Beginning with 1960, estimates are for 50 States.)

for farm foods in 1969. In most years during the 1960's, increases in farm value were much smaller than in 1969 and accounted for less than half of increases in consumer expenditures.

Returns to farmers for farm food products represented one-third of the amount consumers spent for farm foods in 1969. The marketing bill accounted for the other two-thirds.

Marketing Bill

The bill for marketing farm food products amounted to \$63.2 billion in 1969, 3.6 percent more than in 1968. The marketing bill for all product groups rose. The largest percentage increases occurred for poultry and eggs, and fruits and vegetables.

The increase in the marketing bill in 1969 was considerably less than the 6.1 percent increase in 1968, and was slightly below the decade's average annual rise. Between 1959 and 1969, the marketing bill, as well as consumer expenditures and farm value, increased at an average annual rate of slightly over 4 percent.

Among commodity groups, fruits and vegetables and meats have the largest marketing bill (table 6, fig. 2). In 1969, the cost of marketing fruits and vegetables amounted to \$15.8 billion or one-fourth of the total marketing bill for farm foods. The marketing bill for fruits and vegetables is large, in part, because of the highly perishable and bulky nature of the fresh products, and a large part of production is concentrated

in areas distant from many large markets. In addition, processing and packaging costs are quite substantial for processed fruits and vegetables.

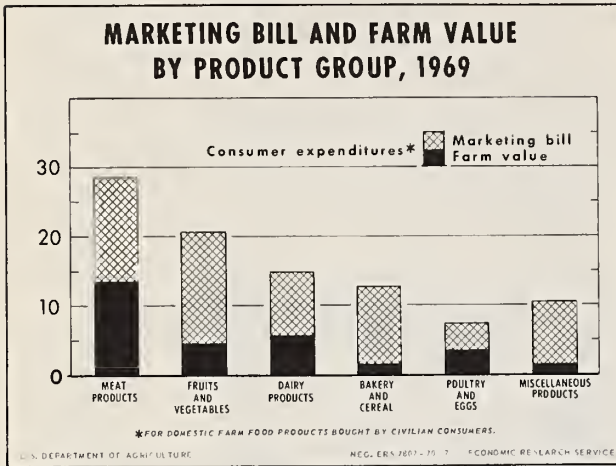


Figure 2

The marketing bill for meat products accounted for nearly a fourth of the total bill in 1969. Dairy and bakery products each accounted for about one-seventh. The importance of the various product groups in the total marketing bill in 1969 was not much different than in 1968, although some shifts in relative proportions occurred over the past decade (table 6).

Increases in the marketing bill result from (1) larger volume of products moving through the marketing system; (2) higher prices of marketing inputs or services; and (3) more marketing services per unit of product, such as processing, packaging, and more away-from-home eating. Of most concern is rising prices of inputs because they usually lead to increases in costs per unit of output and higher retail food prices.

In 1969, about half of the increase in the marketing bill was attributable to higher costs of labor, packaging materials, and other goods and services bought by marketing firms. Hourly earnings of food marketing employees increased over 6 percent in 1969. Prices of goods and services rose 4 percent.

Growth in the volume of products marketed accounted for about a third of the increase in the bill in 1969. Increased volume reflects the additional quantity of farm foods marketed to meet the demand of the growing civilian population.

The remaining 17 percent of the increase in the marketing bill resulted from more services per unit of product marketed, including more processing and away-from-home eating, and shifts in consumption of foods with different amounts of services.

The marketing bill increased every year during the 1960's. About half of the total increase in the past decade reflected a growth of 24 percent in the volume of food marketed, one-third from rising costs of doing business, and the remainder came about by increases in marketing services per unit of product marketed.

Components of the Marketing Bill

Labor

Labor costs for marketing domestic farm food products totaled an estimated \$29.3 billion in 1969, up 7.3 percent from 1968 (table 7). Labor employed in food retailing and away-from-home eating establishments accounted for slightly over half of this total and labor employed in food processing for about one-third. The remaining labor cost was for wholesaling.

Labor cost includes wages and salaries of employees, wage supplements such as social security, tips received by food service employees as well as an imputed value of earnings of proprietors and unpaid family workers. Labor costs accounted for 46 percent of the marketing bill in 1969 compared with 45 percent in 1968 and 42 percent a decade ago.

The increase in labor costs in 1969 came from increases both in hourly costs and employment. Hourly labor costs

Table 6.--Total marketing bill, farm value, and consumer expenditures, by commodity group, for domestic farm-food products bought by civilians, 1957-69

Year	All farm foods						Meat products						Dairy products						Poultry and eggs					
	Market- ing bill	Farm value	Expend- itures	Market- ing bill	Farm value	Expend- itures	Market- ing bill	Farm value	Expend- itures	Market- ing bill	Farm value	Expend- itures	Market- ing bill	Farm value	Expend- itures	Market- ing bill	Farm value	Expend- itures	Market- ing bill	Farm value	Expend- itures	Market- ing bill	Farm value	Expend- itures
-----Million dollars-----																								
1957	37,888	20,405	58,293	8,829	7,546	16,375	6,767	4,435	11,202	1,976	2,710	4,686												
1958	39,549	21,445	60,994	8,933	8,535	17,468	6,987	4,463	11,450	2,164	2,908	5,072												
1959	42,202	20,916	63,118	9,945	8,029	17,974	7,308	4,541	11,849	2,197	2,555	4,752												
1960	44,150	21,699	65,849	10,182	8,170	18,352	7,484	4,625	12,109	2,160	2,842	5,002												
1961	45,101	22,043	67,144	10,271	8,321	18,592	7,602	4,648	12,250	2,385	2,668	5,053												
1962	46,891	22,424	69,315	10,501	8,732	19,233	7,838	4,612	12,450	2,405	2,683	5,088												
1963	48,945	22,574	71,519	11,380	8,467	19,847	7,959	4,667	12,626	2,488	2,753	5,241												
1964	51,188	23,352	74,540	12,301	8,523	20,824	8,102	4,812	12,914	2,587	2,766	5,353												
1965	52,095	25,544	77,639	11,867	9,941	21,808	8,113	4,861	12,974	2,716	2,934	5,650												
1966	54,739	28,112	82,851	13,187	11,265	24,452	8,123	5,354	13,477	3,086	3,462	6,548												
1967	57,483	27,328	84,811	14,003	11,143	25,146	8,120	5,399	13,519	3,221	2,939	6,160												
1968	61,063	29,015	90,078	14,815	11,867	26,682	8,864	5,751	14,615	3,310	3,180	6,490												
1969 2/	63,236	32,049	95,285	14,838	13,642	28,480	8,977	5,967	14,944	3,612	3,803	7,415												

	Fruits and vegetables						Grain mill products						Bakery products 1/						Miscellaneous					
	Market- ing bill	Farm value	Expend- itures	Market- ing bill	Farm value	Expend- itures	Market- ing bill	Farm value	Expend- itures	Market- ing bill	Farm value	Expend- itures	Market- ing bill	Farm value	Expend- itures	Market- ing bill	Farm value	Expend- itures	Market- ing bill	Farm value	Expend- itures	Market- ing bill	Farm value	Expend- itures
1957	9,198	3,211	12,409	1,820	615	2,435	5,276	837	6,113	4,022	1,051	5,073												
1958	9,865	3,085	12,950	2,030	612	2,642	5,352	797	6,149	4,217	1,045	5,262												
1959	10,240	3,355	13,595	2,069	590	2,659	5,843	772	6,615	4,600	1,074	5,674												
1960	10,998	3,475	14,473	2,147	603	2,750	6,033	797	6,830	5,146	1,187	6,333												
1961	11,164	3,557	14,721	2,210	615	2,825	6,168	861	7,029	5,301	1,373	6,674												
1962	11,837	3,554	15,391	2,261	666	2,927	6,471	890	7,361	5,578	1,287	6,865												
1963	12,035	3,635	15,670	2,381	665	3,046	6,783	925	7,708	5,919	1,462	7,381												
1964	12,390	4,090	16,480	2,513	690	3,203	6,989	947	7,936	6,306	1,524	7,830												
1965	12,671	4,394	17,065	2,682	743	3,425	7,094	1,007	8,101	6,952	1,664	8,616												
1966	13,434	4,318	17,752	2,581	756	3,337	7,068	1,094	8,162	7,260	1,863	9,123												
1967	14,029	4,316	18,345	2,769	747	3,516	7,611	1,054	8,665	7,730	1,730	9,460												
1968	14,876	4,732	19,608	2,876	720	3,596	7,918	1,032	8,950	8,404	1,733	10,137												
1969 2/	15,763	4,898	20,661	2,966	752	3,718	8,153	1,109	9,262	8,927	1,878	10,805												

1/ Farm value of bakery products group includes farm values of flour, milk, eggs, fruit, lard, vegetable shortening, and sugar used in bakery products. Farm values of these ingredients are not included in farm values of other product groups. 2/ Preliminary. (Beginning with 1960, estimates are for 50 States. Data for 1947-56 are published in MTS-174, August 1969)

Table 7.--Cost components of the marketing bill for farm-foods purchased by civilian consumers, 1957-69

Year	Labor <u>1/</u>	Rail and truck transportation <u>2/</u>	Corporate profits		Depreciation	Business taxes <u>3/</u>
			Before taxes	After taxes		
Billion dollars						
1957 ...	16.8	4.0	1.9	.9	--	--
1958 ...	17.1	4.1	1.9	.9	--	--
1959 ...	17.8	4.0	2.1	1.0	1.4	1.2
1960 ...	18.7	4.1	2.1	.9	1.5	1.3
1961 ...	18.9	4.2	2.2	1.0	1.5	1.3
1962 ...	19.7	4.1	2.2	1.0	1.7	1.5
1963 ...	20.3	4.2	2.4	1.1	1.7	1.6
1964 ...	21.1	4.3	2.8	1.4	1.8	1.7
1965 ...	22.4	4.2	3.0	1.6	1.8	1.9
1966 ...	23.7	4.4	3.4	1.8	2.0	2.0
1967 ...	25.1	4.5	3.4	1.8	1.9	2.0
1968 ...	27.3	4.7	3.7	1.8	2.1	2.2
1969 <u>5/</u>	29.3	4.8	3.9	1.9	2.2	2.3
:						
:						
	Advertising	Rent (net)	Interest (net)	Repairs, bad debts, contributions	Other <u>4/</u>	Total
1957 ...	--	--	--	--	--	37.9
1958 ...	--	--	--	--	--	39.5
1959 ...	1.2	1.1	.2	.7	12.5	42.2
1960 ...	1.3	1.1	.2	.7	13.2	44.2
1961 ...	1.3	1.1	.3	.8	13.5	45.1
1962 ...	1.5	1.3	.3	.8	13.8	46.9
1963 ...	1.5	1.3	.3	.9	14.7	48.9
1964 ...	1.6	1.4	.3	.9	15.3	51.2
1965 ...	1.7	1.5	.4	1.0	14.2	52.1
1966 ...	1.8	1.6	.4	1.0	14.5	54.7
1967 ...	1.8	1.6	.5	1.0	15.7	57.5
1968 ...	1.9	1.7	.5	1.1	15.9	61.1
1969 ...	2.0	1.7	.5	1.2	15.3	63.2

1/ Includes supplements to wages and salaries such as social security and unemployment insurance taxes and health insurance premiums; also includes imputed earnings of proprietors, partners, and family workers not receiving stated remuneration.

2/ Includes charges for heating and refrigeration; does not include local hauling.

3/ Includes property, social security, unemployment insurance, State income, and franchise taxes, license fees, etc., but does not include Federal income tax. 4/ Residual component; includes other costs approximately distributed as follows in 1969: Containers, packaging, and labeling, \$7 bil; cost incurred in establishments like schools, colleges, hospitals, recreation centers and airlines, \$4 bil; other costs include utilities, fuel, promotion, local for-hire transportation, water transportation, insurance, etc. 5/ Preliminary. (Beginning with 1960, estimates are for 50 States. Data for 1947-56 are published in MTS-170, August 1968.)

Table 8.--Indexes of labor cost for marketing farm-food products, 1957-69

(1957-59=100)				
Year	Total labor cost	Volume of farm-food marketed	Unit labor cost <u>1/</u>	Hourly labor cost <u>2/</u>
1957	97	99	98	97
1958	99	99	101	100
1959	103	103	101	103
1960	108	106	102	108
1961	109	108	101	114
1962	114	110	104	120
1963	117	113	104	125
1964	123	118	104	128
1965	130	118	110	133
1966	138	120	114	140
1967	145	124	119	147
1968	158	125	126	158
1969 <u>3/</u>	170	126	134	167

1/ Hourly labor cost derived by dividing total labor cost (table 7) by total man-hours worked.

2/ Unit labor cost is the quotient of the indexes of total labor cost and of volume of farm-food products marketed to civilian consumers. The index of farm-food products marketed is constructed by weighting the quantities consumed on a retail weight basis, by 1957-59 average retail prices.

3/ Preliminary.

increased nearly 6 percent, continuing a long-term trend. Employment in food marketing has gone up gradually the past decade as a result of increases in the volume of food handled by the marketing system and increases in services per unit of product.

Labor cost per unit of product marketed rose substantially (6.3 percent) in 1969 as a result of the increase in hourly labor cost and a slowdown in productivity gains (table 8). Output per man-hour in the total private economy, which includes food marketing firms, rose only 0.9 percent in 1969, the smallest annual increase since 1956.

Rail and Truck Transportation

The cost of shipping farm food products by truck and rail was \$4.8 billion in 1969, up \$0.1 billion from 1968, not including intra-city truck

transportation or air and water transportation. Transportation last year accounted for a slightly smaller share of the food marketing bill than in 1968.

Most of the increase in the transportation bill reflected an increase in rates. The railroad freight rate index for food, while remaining below the base period 1957-59, posted a 3 percent increase between 1968 and 1969. Most of this increase stemmed from rate increases averaging about 4 percent for livestock, meats, and fruits. The index for grains remained unchanged. However, indexes for other commodity groups increased 2 to 3 percent. The lack of change in the grain index may indicate more intensive competition between modes of transportation for this traffic. Data on exempt truck rates are not available but some increase also has probably occurred in this sector.

The increases in rail rates were the result of general rail rate increases permitted by the ICC. A general rate boost of 3-10 percent was permitted by Ex Parte 259 in November 1968. A further 6 percent rise was permitted by Ex Parte 262 in November 1969. All of these increases have been permissive rather than mandatory. The relatively small increases in the food transportation index indicate that railroads have not raised rates for food to the highest levels permitted.

Corporate Profits

Profits (before Federal income taxes) that corporations derived from marketing farm food products total \$3.9 billion in 1969--5 percent more than in 1968. Most of this increase was due to increases in dollar sales, since profit ratios were relatively stable. After-tax profits amounted to 50 percent of the before-tax profits in both 1968 and 1969.

Corporate profits accounted for 6.1 percent of the marketing bill in 1969, down from 6.2 percent in 1968. While profits are a relatively small proportion of the marketing bill, they exceed many cost components of the bill such as depreciation, advertising, and rent.

Capital Costs

Capital costs include depreciation, rent, and interest. In 1969, capital cost totaled \$4.4 billion, 5 percent over 1968. Capital costs have increased nearly every year in the past decade as marketing firms have expanded and bought additional equipment to handle the market volume. In addition, interest rates and prices of new equipment and facilities have gone up adding to interest expense on borrowed capital and depreciation on plant and equipment.

Advertising

Advertising cost includes expenditures for television, radio, and newspapers. Advertising expenditures totaled \$2.0 billion in 1969 up \$0.1 billion from 1968. Food processors accounted for roughly three-fifths of this spending.

In the past decade advertising expenditures have increased by about two-thirds. Increased advertising reflects an increase in the rate of introduction of new products.

Business Taxes

Business taxes includes property, social security, unemployment insurance, State income, franchise taxes, and license fees. In 1969 business taxes totaled \$2.3 billion--up 5 percent from 1968. Increases in business taxes are partly due to higher social security and property taxes.

Other Costs

"Other costs," the residual component of the marketing bill, include the costs of many goods and services. Efforts are being made to estimate some of these items, particularly packaging and container costs. Preliminary estimates indicate that container, packaging, and labeling costs may amount to \$7 billion a year. Costs connected with institutional feeding, such as in schools and hospitals, may amount to \$4 billion. Other costs included are utilities, fuel, insurance, intra-city for hire transportation, and professional service.

Cost Changes Since 1959

Between 1959 and 1969, the marketing bill increased by \$21.0 billion or 50 percent reflecting growth in food marketing and rising costs of doing business (table 9). Labor costs, the largest component, increased by \$11.5 billion.

About \$4.1 billion, or a fifth of the increase, resulted from rising depreciation, business taxes, advertising, rent, interest, repairs, bad debts, and contributions. Depreciation, rent, and advertising expenses rose 60 percent while business taxes almost doubled and interest increased 1 1/2 times.

Profits accounted for \$1.8 billion of the increase in the marketing bill from 1959 to 1969 and transportation \$0.8 billion. Transportation costs increased 20 percent, the smallest increase of any component.

Table 9.--Increase in cost components of the marketing bill, 1959 to 1969

Cost component	Amount				Increase in marketing bill due to increase in components
	1959	1969	Increase 1959 to 1969		
	<u>Bil. dol.</u>	<u>Bil. dol.</u>	<u>Bil. dol.</u>	<u>Pct.</u>	<u>Pct.</u>
Labor	17.8	29.3	11.5	65	55
Transportation	4.0	4.8	.8	20	4
Profit (before taxes).....	2.1	3.9	1.8	86	9
Depreciation	1.4	2.2	.8	57	4
Business taxes	1.2	2.3	1.1	92	5
Advertising	1.2	2.0	.8	67	4
Rent (net).....	1.1	1.7	.6	54	3
Interest (net) .....	.2	.5	.3	150	1
Repairs, bad debts, contributions7	1.2	.5	71	2
Other (residual) ..	12.5	15.3	2.8	22	13
Total	42.2	63.2	21.0	50	100

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COMPARISON OF COST STRUCTURES OF FOOD STORES AND EATING AND DRINKING PLACES

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ABSTRACT: Eating and drinking places have increased their dollar share of the total food market. They have a gross margin estimated at $2\frac{1}{2}$ times that of food stores. Although gross margins for the two differ greatly because of the kinds of functions and services performed, individual operating expenses as a share of gross margin are similar. Labor, the largest expense, accounts for slightly over 40 percent of the gross margin of both type of businesses. Operating expenses as a proportion of sales tend to be lower for larger firms, indicating higher profit ratios.

KEY WORDS: Food stores, eating places, marketing costs and margins.

Eating and drinking places have increased their dollar share of the total food market. In 1969, sales of eating and drinking places were 43 percent greater than in 1963. Food stores sales increased 28 percent for the same period. ^{1/} Much of the growth in sales, especially for eating places, was due to price increases.

Food stores and eating and drinking places have greatly different margins and costs. Costs are affected by a variety of factors--type of service offered, size of firm, and legal form of organization. These factors are analyzed in this article.

Large food stores and large eating places, mainly corporate firms, are increasing their share of the total food market. This change in size and type of firm creates a need for information to evaluate cost structures which affect food marketing costs and consumer food expenditures. Most research on food costs and

margins has concentrated on the at-home market for food. ^{2/} Cost data for both eating and drinking places and food stores are available from the Internal Revenue Service, Source Book of the Statistics of Income.

The IRS data permit analysis of differences and trends in operating costs per dollar of sales for food stores and eating and drinking places. ^{3/} The most recent data available are for 1967. In addition, an analysis is possible of the difference in cost structures by size of firm and legal organization. Data by size of firm are limited to corporate businesses. The primary disadvantage of these data is that labor costs are not published for corporations. Thus, estimates have been made for comparison with labor costs of non-corporate firms. ^{4/}

^{1/} U.S. Dept. Commerce, Survey of Current Business, March 1965 and 1970.

^{2/} See, for example, Food from Farmer to Consumer, National Commission on Food Marketing, June 1966 and Operating Results of Food Chains, Cornell University, Ithaca, N.Y. (annual).

^{3/} The definition of food stores and eating and drinking places in this article is the same as the IRS Standard Enterprise Classification System. It uses the firms' primary source of business receipts to classify type of business. Therefore, the data include costs and revenue data from other enterprises for diversified firms.

^{4/} Estimates made from Employment and Earnings, Bureau of Labor Statistics.

Table 10.--Operating expenses and profit as a share of sales and gross margin, for eating places and food stores, 1967

Item	Eating and Drinking Places		Food Stores	
	Percent of Sales	Percent of gross margin	Percent of Sales	Percent of gross margin
Net profit	6.2	11.9	2.6	12.5
Capital cost	7.5	14.5	2.8	11.5
Interest (net) .....	.7	1.3	.6	.8
Depreciation	2.8	5.3	1.0	4.8
Rent (net)	4.0	7.9	1.2	5.9
Other operating expenses ^{1/}	16.4	31.6	7.2	35.2
Labor	21.8	42.0	8.4	40.8
Cost of goods sold	48.1	----	79.0	----
Total	100.0	100.0	100.0	100.0

^{1/} Includes such costs as advertising, utilities, supplies, taxes, repairs, and bad debts.

Compiled from: Source Book of the Statistics of Income, 1967, Internal Revenue Service.

Industry Cost and Profits

Cost and profits per dollar of sales for food stores and eating and drinking places are quite different largely due to the amount and types of services provided. However, individual costs and profit as a percentage of gross margin (difference between sales and costs of goods sold) are quite similar.

Sales Shares: The gross margin of eating places is about one-half of the sales dollar compared with one-fifth for food stores (fig. 3, table 10). Margins are higher in eating places than in food stores because more services are performed by eating places.

Cost of goods sold, mainly food purchased, is the largest share of the sales dollar for both eating places and food stores. Labor is the largest single operating expense.

Profits before taxes represented a larger share of sales in eating and drinking places than in food stores. In 1967, profits before taxes amounted to 6.2 percent of sales for eating and drinking places, compared with 2.6 percent for food stores.

Composition of Gross Margin: Labor costs account for slightly over 40 percent of the gross margin both of eating and drinking places and of food stores in 1967. Labor costs of eating and drinking places were held down, in part, by a lower average wage rate. Since 1967, wages of eating place workers have increased faster than those of food store workers due largely to recent coverage under minimum wage laws.

Capital costs for eating places were 14.5 percent of the gross margin compared with 11.5 percent for food stores. Rent expense, the largest

capital cost, accounts for most of this difference. All other costs, including advertising and promotion expense, account for about one-third of the gross margin. Data for corporate firms indicate that food store expenditures for advertising and promotion as a proportion of gross margin are double those of eating places. Profits as a percentage of gross margin were 11.9 percent for eating places and 12.5 percent for food stores.

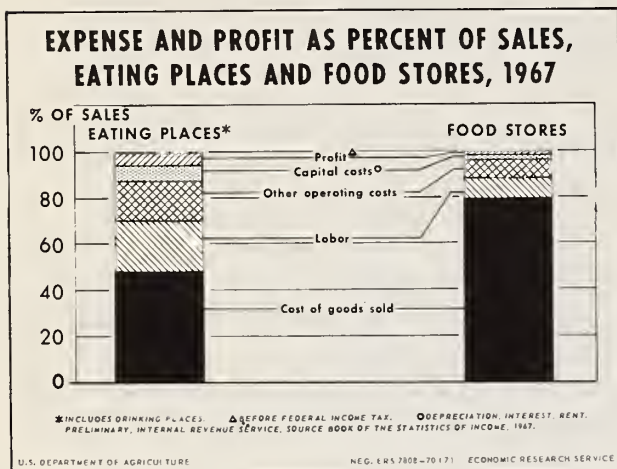


Figure 3

Cost Structure by Legal Form of Organization, 1963-67

Cost structures for these 2 industries are associated with legal form of organization. This correlation is probably due, in part, to size and efficiency of various types of legal organizations.

Eating Places: Labor was the largest operating expense of corporate eating and drinking places averaging 28.1 percent of sales during 1963-67 (table 11). Other significant expenses included rent, taxes, and advertising. Costs of goods sold averaged 46.0 percent. Profits as a percent of sales increased substantially during the period from -0.9 percent in 1963 to 2.3 percent in 1967.

Most operating expenses for proprietorships and partnerships followed the same pattern as for corporate eating places. However, cost of goods sold was significantly higher for proprietorships. Profit increased during the period from a low of 7.6 percent of sales in 1963 to 9.1 percent in 1967.

Labor costs for proprietorships as a percent of sales were 11.3 percentage points lower than for corporations. This partly reflects use of unpaid family labor and lack of a charge for operator's labor. However, these factors result in a higher profit rate for the proprietors.

Cost of goods sold for partnerships was in between that of corporation and proprietorships at 48.7 percent of sales. Labor cost of partnerships was slightly higher than that of proprietorships. Labor costs of non corporate-firms were relatively low because most partners and proprietors were active in management and not directly compensated for their labor. Profits of partnerships averaged 11.0 percent of sales, highest of the 3 types of organizations.

Most of the variation in labor cost and profit among organizations disappears when profit and labor are combined. Corporations had a combined profit and labor cost of 29.8 percent, proprietorships 25.4 percent, and partnerships 28.9 percent of sales. Proprietorships' lower percentage reflects their lower margin per dollar of sales.

Food Stores: Corporate food stores had the lowest cost of goods sold (78.6 percent) of the 3 forms of organization but the largest margin (table 12). The larger margin is a reflection of vertically integrated marketing functions of wholesaling and food manufacturing. Proprietors had the highest cost of goods sold and therefore the lowest margin.

Depreciation, taxes, and rents were about the same for the 3 forms of organization. Interest expense, though rela-

Table 11.--Eating and Drinking Places: Operating expenses, cost of goods sold, and profit as a share of sales, by legal form of organization, 1963-67

Item	1963	1964	1965	1966	1967	Average
	-Percent-					
<u>Corporations</u>						
Operating expenses						
Depreciation	2.8	2.9	2.8	2.8	2.9	2.8
Advertising	1.0	1.2	1.1	1.1	1.3	1.2
Taxes	3.1	3.2	3.1	3.1	3.3	3.2
Rents	5.3	5.1	5.3	5.3	5.0	5.1
Interest .....	.6	.7	.7	.7	.6	.7
Repairs & bad debts	1.2	1.2	1.2	1.2	1.2	1.2
Labor (est.)	28.6	27.7	29.0	29.0	26.0	28.1
Other costs	11.7	10.4	9.5	8.6	11.4	10.0
Cost of goods sold	46.6	46.0	46.3	46.2	46.0	46.0
Net profit or loss (before taxes)	-.9	1.6	2.0	2.0	2.3	1.7
<u>Proprietorships</u>						
Operating expenses						
Depreciation	2.8	2.6	2.7	2.8	2.6	2.7
Taxes	3.0	3.1	3.2	3.3	3.4	3.2
Rents	3.6	4.2	3.8	3.8	3.5	3.7
Interest .....	.6	.6	.6	.7	.7	.7
Repairs & bad debts	1.2	1.2	1.1	1.2	1.2	1.1
Labor (est.)	16.9	16.7	16.9	16.9	16.8	16.8
Other costs	11.0	10.6	10.1	7.0	6.9	9.2
Cost of goods sold	53.3	52.6	53.0	55.3	55.8	54.0
Net profit or loss (before taxes)	7.6	8.4	8.6	9.0	9.1	8.6
<u>Partnerships</u>						
Operating expenses						
Depreciation	2.7	2.5	2.5	2.5	2.4	2.5
Taxes	3.3	3.2	3.2	3.4	3.4	3.3
Rents	2.9	3.0	3.2	2.8	3.4	3.0
Interest .....	.6	.6	.6	.6	.7	.6
Repairs & bad debts	1.2	1.2	1.1	1.1	1.1	1.2
Labor (est.)	18.0	18.2	17.9	17.8	18.4	17.9
Other costs	12.0	11.9	12.4	11.4	9.6	11.8
Cost of goods sold	48.8	48.8	48.6	49.7	48.3	48.7
Net profit or loss (before taxes)	10.5	10.6	10.5	10.7	12.7	11.0

Compiled from: Source Book of the Statistics of Income, Internal Revenue Service.

Table 12.--Food Stores: Operating expenses, cost of goods sold, and profit as a share of sales, by legal form of organization, 1963-67

Item	: 1963	: 1964	: 1965	: 1966	: 1967	: Average
	:	:	:	:	:	:
	Percent					
<u>Corporations</u>						
Operating expenses						
Depreciation	1.0	1.0	1.0	1.0	1.0	1.0
Advertising	1.3	1.3	1.3	1.3	1.2	1.3
Taxes	1.1	1.0	1.0	1.0	1.0	1.0
Rents	1.5	1.5	1.5	1.5	1.5	1.5
Interest .....	.1	.1	.2	.2	.2	.2
Repairs & bad debts ..	.4	.4	.4	.4	.4	.4
Labor (est.)	10.0	9.6	9.8	9.7	9.7	9.7
Other costs	4.2	4.9	4.4	5.0	4.9	4.8
Cost of goods sold	78.9	78.5	78.8	78.5	78.6	78.6
Net profit or loss						
(before taxes)	1.5	1.7	1.6	1.4	1.5	1.5
<u>Proprietorships</u>						
Operating expenses						
Depreciation	1.1	1.1	1.1	1.1	1.1	1.1
Taxes	1.1	1.2	1.2	1.3	1.4	1.2
Rents	1.1	1.2	1.2	1.1	1.1	1.1
Interest .....	.2	.3	.3	.3	.3	.3
Repairs & bad debts ..	.5	.5	.5	.5	.5	.5
Labor (est.)	4.9	5.4	5.2	5.2	5.5	5.3
Other costs	4.6	4.6	4.7	3.7	4.4	4.3
Cost of goods sold	81.8	80.7	80.9	81.8	81.0	81.3
Net profit or loss						
(before taxes)	4.7	5.0	4.9	5.0	4.7	4.9
<u>Partnerships</u>						
Operating expenses						
Depreciation	1.0	1.0	.9	.9	.9	.9
Taxes	1.1	1.2	1.2	1.3	1.2	1.2
Rents .....	.8	.9	.9	.8	1.0	.9
Interest .....	.2	.2	.2	.2	.2	.2
Repairs & bad debts ..	.4	.4	.4	.4	.4	.4
Labor (est.)	5.8	6.2	6.3	6.2	6.2	6.2
Other costs	5.2	5.6	5.7	5.3	5.4	5.4
Cost of goods sold	80.7	79.3	79.2	79.8	79.2	79.6
Net profit or loss						
(before taxes)	4.8	5.2	5.2	5.1	5.5	5.2

Compiled from: Source Book of the Statistics of Income, Internal Revenue Service.

Table 13.--Corporate eating places: Operating expenses, cost of sales, and profit as a share of sales, by asset size of firm, 1963-67 average

Item	Asset size of firm					
	All	\$50,000	\$51,000	\$101,000	\$501,000	Over
	firms ^{1/}	and	to	to	to	\$1 million
	under	\$100,000	\$500,000	\$1 million	\$1 million	
	-Percent-					
Operating expenses						
Interest .....	.7	.4	.6	.8	1.2	.7
Repairs, bad debts						
& contributions	1.2	1.2	1.2	1.3	1.2	1.2
Rent	5.1	5.6	4.8	4.4	3.7	6.3
Taxes	3.2	3.6	3.3	3.1	3.1	2.9
Depreciation	2.8	2.3	2.8	3.1	3.4	2.9
Advertising	1.2	.8	1.3	1.3	1.3	1.1
Fringe benefits .....	.3	.1	.2	.4	.4	.6
Compensation of						
officers	4.2	6.7	5.2	3.7	2.5	.9
Other ^{2/}	33.5	31.7	34.3	36.0	35.8	30.7
Cost of sales and						
operation	45.8	47.5	44.5	43.4	44.1	49.1
Profit (before taxes) ..	2.0	.1	1.8	2.5	3.3	3.6

^{1/} Data differ slightly from data shown in table 11 due to the inclusion of firms with zero assets and sampling differences.

^{2/} Includes labor.

Source: Internal Revenue Service, Source Book of the Statistics of Income.

tively small, was twice as much for proprietorships and partnerships as for corporations.

As in the case of eating places, corporate food stores had higher labor cost than proprietorship or partnerships. Corporate food stores' labor cost was 9.7 percent of sales, proprietors 5.3 percent, and partnerships 6.2 percent. Differences in cost are probably due to nonwage operators and family labor, and lower wage scales for the noncorporate stores.

Profit rates varied by organization. Corporate stores averaged 1.5 percent profit per dollar of sale, proprietorships, 4.8 percent, and partnerships 5.2 percent.

As in the case of eating and drinking places, most of the variation in labor cost and profit disappears when the two are combined because of the way operator's labor is allocated in noncorporate firms. The combination of labor and profit accounted for 11.2 percent of sales for corporate stores, 10.2 percent for proprietorships, and 11.4 percent for partnerships.

Cost Structure of Corporations by Firm Size

In this analysis, several costs are classified differently. Two breakouts of cost are presented in tables 13 and 14 that were not shown in previous tables. Fringe benefit expense is shown

Table 14.--Corporate food stores: Operating expenses, cost of sales, and profit as a share of sales, by asset size of firm, 1963-67 average

Item	Asset size of firm					
	All firms ^{1/}	\$100,000 and under	\$101,000 to \$500,000	\$501,000 to \$5 million	\$5 million to \$50 million	Over \$50 million
	Percent					
Operating expenses						
Interest.....	.2	.2	.2	.2	.2	.1
Repairs, bad debts & contributions.....	.4	.4	.4	.4	.5	.3
Rent.....	1.5	1.9	1.4	1.5	1.8	1.4
Taxes.....	1.0	1.3	.9	.9	1.0	1.0
Depreciation.....	1.0	1.0	.8	.8	1.1	1.1
Advertising.....	1.3	.9	1.2	1.3	1.2	1.4
Fringe benefits.....	.4	.1	.2	.3	.4	.6
Compensation of officers.....	.6	3.4	1.3	.6	.3	.1
Other ^{2/}	13.4	12.9	12.3	12.8	14.1	14.1
Cost of sales and operation.....	78.6	77.6	80.1	80.0	77.8	77.9
Profit (before taxes)...	1.6	.3	1.2	1.2	1.6	2.0

^{1/} Data differ slightly from data shown in table 12 due to the inclusion of firms with zero assets and sampling differences.

^{2/} Includes labor.

Source: Internal Revenue Service, Source Book of the Statistics of Income.

but labor cost is included in other expense. Compensation of corporate officers is also shown separately. Also, cost of sales and operation differs from cost of goods sold by including a minor labor cost associated with the purchase of goods for resale.

Eating Places: Profits were most closely associated with asset size. Profits per dollar of sales increased with size. Profits varied from 0.1 percent of sales for small firms to 3.6 percent for large firms (table 13).

Fringe benefit, depreciations, interest, and advertising expense as a percent of sales tended to increase with size. However, rent expense, taxes and

compensation of officers tended to decline with firm size. Compensation of officers, for example, averaged 6.7 percent for the smallest firms compared with 0.9 percent for the largest firms.

Cost of sales and operation were smallest for the medium size firms and highest for large firms. Partial explanation for this is there are few economies of scale in purchase of cost of goods sold, but other economies of scale exist and larger firms tend to be volume oriented. This volume orientation, accompanied by lower margin due to lower unit prices and limited buying leverage, increases the cost of sales and operation.

Table 15.--Corporate eating places: Selected measures of size and efficiency,
by size of firm, average 1963-67

Item	Asset size of firm					
	All	\$50,000	\$51,000	\$101,000	\$501,000	Over
	firms	and	to	to	to	\$1 million
		under	\$100,000	\$500,000	\$1 million	\$1 million
	-Number-					
Firms.....	1/49,512	31,776	8,620	7,062	414	211
	-Dollars-					
Average assets.....	76,390	19,510	70,430	186,680	675,330	4,537,320
Average sales.....	188,010	73,940	201,890	408,770	1,158,450	8,341,680
Sales per dollar of assets.....	2.46	3.79	2.87	2.19	1.72	1.84
Sales per dollar of inventory.....	39.56	44.58	47.39	50.42	37.41	23.21

1/ Includes firms with no assets.

Table 16.--Corporate food stores: Selected measures of size and efficiency,
by size of firm, average 1963-67

Item	Asset size of firm					
	All	\$100,000	\$101,000	\$501,000	\$5 million	Over
	firms	and	to	to	to	\$50 million
		under	\$500,000	\$5 million	\$50 million	\$50 million
	-Number-					
Firms.....	1/20,577	13,217	5,580	964	101	22
	-Dollars-					
Average assets....	395,200	34,600	211,100	1,182,200	13,726,600	180,214,600
Average sales....	2,103,410	227,320	1,332,800	6,633,250	64,486,100	881,883,860
Sales per dollar of assets.....	5.32	6.57	6.31	5.61	4.70	4.89
Sales per dollar of inventory....	16.72	22.37	22.98	20.51	14.42	14.21

1/ Includes firms with no assets.

Compiled from: Source Book of the Statistics of Income, Internal Revenue Service.

Food Stores: Food stores, like eating places, showed a mixed pattern for most costs with respect to firm size (table 14). Operating expenses as a percentage of sales were generally lowest for the medium size firms. Size categories were selected to represent very small stores, a small superette, single to 10 store chain, moderately large chain, and large chain (representing the top 20 chains).

Profit as a percentage of sales increased with firm size. Profits ranged from 0.3 to 2.0 percent of sales. This is the same pattern as exhibited for eating places.

Advertising expenses for food stores increased with firm size, from 0.9 percent of sales for small firms to 1.4 percent for the largest firms. Fringe benefits also increased with size from 0.1 to 0.6 percent of sales. However, compensation of officers declined with size of firm from 3.4 percent for small firms to 0.1 percent for large firms.

Cost of sales and operation by firm size varied within a narrow range, 78 to 80 percent of sales. Large firms tend to have a slightly lower cost of sales and operation than smaller firms, probably due to economies of large scale buying. This results in a higher profit per dollar of sales.

Selected Characteristics and Performance Indicators

There was an average of 49,512 firms classed as corporate eating places during 1963-67 (table 15). Two-thirds were in the smallest size. Only 1 percent of the firms fell in the 2 largest categories. Distribution of sales was significantly different from the distribution of firms. Small firms accounted for 22 percent of the sales; the 2 largest size groups accounted for 37 percent.

Sales per dollar of assets declined as the size of firm increased. Small firms, which may use more labor relative to capital than larger firms, averaged twice the sales per dollar of asset as the largest firms.

Another measure of efficiency in the use of capital is sales per dollar of inventory. Medium sized eating and drinking places had the highest sales per dollar of inventory and more than double that of large firms.

Corporate food stores accounted for two-thirds of total food sales in 1967. Most corporate stores had assets of \$100,000 or less (table 16). However, these firms accounted for only 7 percent of corporate food store sales. The largest firms comprised less than 1 percent of all firms, but accounted for three-fifths of the corporate food sales.

Sales per dollar of assets for food stores trended downward in relation to increasing firm size from \$6.57 for small firms to \$4.70 for the next to largest firms.

Sales per dollar of inventory, or inventory turnover, were highest for the small firms. Sales per dollar of inventory averaged \$22.37 for small firms but only \$14.21 for large firms. The lower turnover for the large firms reflects the handling of more high-margin and slower moving items.

Future Trends

The future cost structure for food stores and eating places will primarily be influenced by consumer choice and competition between food stores and eating places. There appears to be intense competition developing for fast food service. It seems reasonable that cost structures will become more similar as competition intensifies.

In recent years, many food stores have added delicatessen shops, bake shops, and snack bars to compete more effectively with eating places for the consumer dollar. In most instances, this probably increases food store labor costs and gross margins. In the meantime, eating places have been using greater quantities of quick prepared foods and switching to fast food service in an attempt to hold down labor cost and be price competitive.

Cost structures indicate that food store and eating places will continue to be more sensitive to cost of goods sold and labor cost than to other costs. Food stores are continuing to integrate into wholesaling and food processing in an attempt to hold down cost of goods sold.

Many eating places have gone to fast food service and limited menus to hold down food and labor costs. Wage rates that are increasing faster for employees of eating places than for food store employees are emphasizing the need for this strategy.

SELECTED NEW PUBLICATIONS

1. "Developments in Marketing Spreads for Agricultural Products in 1969." U.S. Dept. of Agr., Econ. Res. Ser., ERS-14 (1970). (Reprinted from Hearings before the Subcommittee of the Committee on Appropriations, United States House of Representatives, Ninety-First Congress, Second Session). May 1970.
2. "Price Spreads for Beef and Pork: Revised Series, 1949-69" by Lawrence A. Duewer, U.S. Dept. of Agr., Econ. Res. Ser., Misc. Publ. No. 1174, May 1970.
3. "Prospects for Agriculture in the Carribbean" by Robert V. Enochian, U.S. Dept. of Agr., Econ. Res. Ser., Foreign Agr. Econ. Rpt. No. 58, April 1970.
4. "Alfalfa Dehydration, Separation, and Storage: Costs and Capital Requirements" by Carl J. Vosloh, Jr., U.S. Dept. of Agr., Econ. Res. Ser., MRR-881. May 1970.
5. "Economic Characteristics of and Changes in the Market Egg Industry" by George B. Rogers, Robert M. Conlogue, and Ruth J. Irvin, U.S. Dept. of Agr., Econ. Res. Ser., MRR-877. April 1970.
6. "Southeastern Cotton and Competing Fibers, Recent Developments" by E.W.S. Calkins and H.C. Spurlock, South Carolina Agr. Expt. Sta., Clemson University (in cooperation with U.S. Dept. of Agr., Econ. Res. Ser.), Bulletin 550. March 1970.
7. "Sanitary Regulation of the Fluid Milk Industry - Inspection, Cost, and Barriers to Market Expansion" by W. Webster Jones, U.S. Dept. of Agr., Econ. Res. Ser., MRR-889. June 1970.
8. "Charges for Ginning Cotton, Costs of Selected Services Incident to Marketing, and Related Information, Season 1969-70." Econ. Res. Ser., Mktg. Econ. Div., and Consumer & Marketing Service, Cotton Division. June 1970.
9. "Prices and Spreads for Apples, Grapefruit, Grapes, Lemons, and Oranges Sold Fresh in Selected Markets, 1962/63 - 1966/67" by Alfred J. Burns and Victor G. Edman, U.S. Dept. of Agr., Econ. Res. Sev., MRR-888. June 1970.
10. "Major Statistical Series of the U.S. Department of Agriculture. How They Are Constructed and Used. Volume 4 Agricultural Marketing Costs and Charges." U.S. Dept. Agr., Agriculture Handbook No. 365. June 1970.
11. "Predicting Short Run Egg Price Changes in Georgia," by Gene C. Masters and Harold B. Jones, Jr., College Experiment Station, University of Georgia (in cooperation with Economic Research Service, U.S. Dept. of Agr.), Research Bulletin 80, June 1970.

: Unless otherwise indicated, items listed are Economic :
 : Research Service publications and single copies may be :
 : obtained free from the Division of Information, Office of :
 : Management Services, U.S. Department of Agriculture, :
 : Washington, D. C. 20250 :
 : _____ :

Table 17.--Farm food products: Retail cost, farm value of equivalent quantities sold by producers, byproduct allowance, farm-retail spread, and farmer's share of retail cost, April-June 1970

Product 1/	Farm equivalent	Retail unit	Retail cost	Gross farm value	Byproduct allowance	Net farm value 2/	Farm-retail spread	Farmer's share
			Dollars	Dollars	Dollars	Dollars	Dollars	Percent
Market basket			1226.42	-	-	483.88	742.54	39
Meat products			379.27			210.21	169.06	55
Dairy products			217.30	-	-	104.24	113.06	48
Poultry and eggs		Average quantities purchased per urban wage-earner and clerical-worker household in 1960-61	89.42	-	-	45.58	43.84	51
Bakery and cereal products 3/	Farm produce equivalent to products bought per urban wage-earner and clerical-worker household in 1960-61		183.27	-	-	35.26	148.01	19
All ingredients			-	30.63	5.18	25.45		14
Grain			262.87	-	-	66.48	196.39	25
All fruits and vegetables			136.64	-	-	42.36	94.28	31
Fresh fruits and vegetables			49.01	-	-	13.41	35.60	27
Fresh fruits			87.63	-	-	28.95	58.68	33
Fresh vegetables								
Processed fruits and vegetables			126.23	-	-	24.12	102.11	19
Fats and oils			40.37	28.26	15.85	12.41	27.96	31
Miscellaneous products			53.92	-	-	9.70	44.22	18
			Cents	Cents	Cents	Cents	Cents	Percent
Beef, Choice grade 4/	2.25 lb. Choice grade cattle	Pound	99.3	-	-	62.5	36.8	63
Lamb, Choice grade 5/	2.43 lb. lamb	Pound	107.0	-	-	58.9	48.1	55
Pork 4/	2.00 lb. hogs	Pound	80.0	-	-	41.9	38.1	52
Butter	Cream and whole milk	Pound	86.4	-	-	62.8	23.6	73
Cheese, American process	Milk for American cheese	$\frac{1}{2}$ pound	50.3	-	-	22.1	28.2	44
Ice cream	Cream, milk, and sugar	$\frac{1}{2}$ gallon	84.1	-	-	28.1	56.0	33
Milk, evaporated	Milk for evaporating	$1\frac{1}{2}$ ounce can	18.5	-	-	9.1	9.4	49
Milk, fresh								
Home delivered	4.39 lb. Class I milk	$\frac{1}{2}$ gallon	65.0	-	-	28.5	36.5	44
Sold in stores	4.39 lb. Class I milk	$\frac{1}{2}$ gallon	57.2	-	-	28.5	28.7	50
Chickens, frying, ready-to-cook	1.37 lb. broiler	Pound	41.0	-	-	18.7	22.3	46
Eggs, Grade A large	1.03 dozen	Dozen	54.1	-	-	31.1	23.0	57
Bread, white								
All ingredients	Wheat and other ingredients	Pound	24.0	-	-	3.4	20.6	14
Wheat .....	.877 lb. wheat	Pound	-	2.9	.3	2.6	-	11
Bread, whole or cracked wheat .....	.708 lb. wheat	Pound	35.1	-	-	3.3	31.8	9
Cookies, sandwich .....	.528 lb. wheat	Pound	51.8	-	-	4.7	47.1	9
Corn flakes	2.87 lb. yellow corn	12 ounces	31.5	6/ 6.2	6/ 3.5	6/ 2.7	28.8	9
Flour, white	6.8 lb. wheat	5 pounds	59.1	23.2	2.7	20.5	38.6	35
Apples	1.04 lb. apples	Pound	22.3	-	-	5.6	16.7	25
Grapefruit	1.03 grapefruit	Each	16.4	-	-	4.8	11.6	29
Lemons	1.04 lb. lemons	Pound	30.7	-	-	7.8	22.9	25
Oranges	1.03 doz. oranges	Dozen	81.0	-	-	18.4	62.6	23
Cabbage	1.08 lb. cabbage	Pound	16.7	-	-	5.7	11.0	34
Carrots	1.03 lb. carrots	Pound	17.0	-	-	4.9	12.1	29
Celery	1.08 lb. celery	Pound	23.0	-	-	7.5	15.5	33
Cucumbers	1.09 lb. cucumbers	Pound	30.7	-	-	10.9	19.8	36
Lettuce	1.88 lb. lettuce	Head	28.0	-	-	7.8	20.2	28
Onions	1.06 lb. onions	Pound	18.2	-	-	5.8	12.4	32
Peppers, green	1.09 lb. peppers	Pound	71.9	-	-	33.8	38.1	47
Potatoes	10.42 lb. potatoes	10 pounds	94.2	-	-	29.7	64.5	32
Tomatoes	1.18 lb. tomatoes	Pound	46.4	-	-	16.7	29.7	36
Peaches, canned	1.60 lb. Calif. cling peaches	No. 2 $\frac{1}{2}$ can	34.7	-	-	5.9	28.8	17
Pears, canned	1.85 lb. pears for canning	No. 2 $\frac{1}{2}$ can	48.5	-	-	8.3	40.2	17
Beets, canned	1.24 lb. beets for canning	No. 303 can	18.6	-	-	1.2	17.4	6
Corn, canned	2.495 lb. sweet corn	No. 303 can	24.3	-	-	3.0	21.3	12
Peas, canned .....	.69 lb. peas for canning	No. 303 can	25.0	-	-	3.7	21.3	15
Tomatoes, canned	1.84 lb. tomatoes for canning	No. 303 can	21.0	-	-	3.3	17.7	16
Orange juice, concentrate, frozen	3.45 lb. oranges	6-ounce can	22.5	-	-	7.3	15.2	32
French fried potatoes, frozen	1.38 lb. potatoes	9 ounces	16.6	-	-	2.9	13.7	17
Peas, frozen .....	.70 lb. peas for freezing	10 ounces	21.1	-	-	3.5	17.6	17
Beans, navy	1.00 lb. Mich. dry beans	Pound	19.0	-	-	6.7	12.3	35
Margarine	Soybeans, cottonseed, and milk	Pound	29.7	20.3	11.4	8.9	20.8	30
Peanut butter	1.33 lb. peanuts	12-ounce jar	47.2	-	-	16.2	31.0	34
Salad and cooking oil	Soybeans, cottonseed, and corn	Pint	56.2	46.2	31.7	14.5	41.7	26
Vegetable shortening	Soybeans and cottonseed	3 pounds	88.0	72.0	40.8	31.2	56.8	35
Sugar	Sugar beets and cane	5 pounds	64.2	26.1	1.6	7/ 24.5	7/ 39.7	38
Spaghetti with sauce, canned	Wheat, tomatoes, cheese, sugar	15 $\frac{1}{2}$ -ounce can	18.4	-	-	2.0	16.4	11

1/ Product groups include more items than those listed in this table. For example, in addition to the products listed--Choice beef, lamb, and pork (major products except lard)--the meat products group includes lower grades of beef, the minor edible pork products, and veal. 2/ Gross farm value adjusted to exclude imputed values of byproducts obtained in processing. 3/ For the bakery products group and the individual wheat products, gross farm value, by-product allowance, net farm value, and farmer's share are based on the market price of wheat received by farmers plus the cost of the marketing certificate to millers. This cost is returned to farmers complying with the Wheat Program. 4/ Data for beef and pork have been extensively revised, for discussion of the revision see article in November 1969 issue of "Marketing and Transportation Situation." 5/ Farm product equivalents for lamb have been revised to allow for loss through pilferage, spoilage, dehydration and refacing and economic losses incurred through selling cuts in a lower-priced form or at special low prices because of quality deterioration. 6/ Based on market price of corn received by farmers; no allowance made for price support payment received by farmers who comply with the Federal Feed Grain Program. 7/ Net farm value adjusted for Government payments to producers was 28.3 cents, farm-retail spread adjusted for Government processor tax was 37.0 cents, farmer's share of retail cost based on adjusted farm value was 44 percent.

Table 18--Farm food products: Retail cost and farm value, April-June 1970, January-March 1970, April-June 1969, and 1957-59 average

Product 1/	Retail unit	Retail cost						Net farm value 2/					
		April-June 1970	January-March 1970	April-June 1969	1957-59 average	Percentage change from:		April-June 1970	January-March 1970	April-June 1969	1957-59 average	Percentage change from:	
						April-June 1970	January-March 1970					April-June 1970	January-March 1970
		Dollars	Dollars	Dollars	Dollars	Percent	Percent	Dollars	Dollars	Dollars	Dollars	Percent	Percent
Market basket		1226.42	1224.79	1161.74	982.65	0.1	5.6	483.88	3/506.35	476.25	387.87	-4.4	1.6
Meat products		379.27	377.35	349.95	285.05	.5	8.4	210.21	3/220.10	202.42	154.47	-4.5	3.8
Dairy products		217.30	215.61	206.61	173.33	.8	5.2	104.24	3/104.76	100.20	77.85	-5	4.0
Poultry and eggs	Average quantities purchased	89.42	105.27	89.99	93.02	-15.1	-6	45.58	3/61.04	50.14	56.28	-25.3	-9.1
Bakery and cereal products 4/	per urban wage-earner and	183.27	180.02	172.66	148.40	1.8	6.1	35.26	3/34.63	33.80	30.55	1.8	4.3
All ingredients	clerical-	--	--	--	--	--	--	25.45	25.10	25.03	23.40	1.4	1.7
Grain	worker	262.87	254.45	253.86	202.96	3.3	3.5	66.48	3/65.30	70.01	50.05	1.8	-5.0
All fruits and vegetables	household	136.64	129.03	128.93	91.15	5.9	6.0	42.36	3/40.35	42.60	28.70	5.0	-6
Fresh fruits and vegetables	in	49.01	45.82	51.73	36.26	7.0	-5.3	13.41	3/12.32	16.81	12.26	8.8	-20.2
Fresh fruits	1960-61	87.63	83.21	77.20	54.89	5.3	13.5	28.95	28.03	25.39	16.44	3.3	14.0
Fresh vegetables		126.23	125.42	124.93	111.81	.6	1.0	24.12	3/24.85	27.81	21.35	-2.9	-13.3
Processed fruits and vegetables		40.37	38.90	37.82	37.56	3.8	6.7	12.41	3/10.82	10.28	11.19	14.7	20.7
Fats and oils		53.92	53.19	50.85	42.33	1.4	6.0	9.70	3/9.70	9.40	7.48	--	3.2
Miscellaneous products													
		Cents	Cents	Cents	Cents	Percent	Percent	Cents	Cents	Cents	Cents	Percent	Percent
Beef, Choice grade 5/	Pound	99.3	98.1	97.8	77.4	1.2	1.5	62.5	61.5	68.5	51.3	1.6	-8.8
Lamb, Choice grade	Pound	107.0	106.6	101.0	73.8	.4	5.9	58.9	60.1	59.9	41.9	-2.0	-1.7
Pork 5/	Pound	80.0	81.8	71.9	59.8	-2.2	11.3	41.9	48.2	40.6	31.9	-13.1	3.2
Butter	Pound	86.4	85.6	84.3	73.2	.9	2.5	62.8	3/63.8	62.1	52.6	-1.6	1.1
Cheese, American process	1 1/2 pound	50.3	49.5	46.6	32.3	1.6	7.9	22.1	22.2	20.9	14.2	-5	5.7
Ice cream	1/2 gallon	84.1	83.3	80.4	84.2	1.0	4.6	28.1	3/28.7	27.3	21.0	-2.1	2.9
Milk, evaporated	14 1/2-ounce can	18.5	18.1	17.6	14.5	2.2	5.1	9.1	8.9	8.7	6.2	2.2	4.6
Milk, fresh	1/2 gallon	65.0	64.5	61.7	50.8	.8	5.3	28.5	28.6	27.4	21.9	.4	4.0
Home delivered	1/2 gallon	57.2	57.2	54.6	46.6	--	4.8	28.5	28.6	27.4	21.9	-3	4.0
Chickens, frying, ready-to-cook ..	Pound	41.0	42.2	41.9	43.5	-2.8	-2.1	18.7	20.1	21.0	24.4	-7.0	-11.0
Eggs, Grade A large	Dozen	54.1	75.0	55.3	56.2	-27.9	-2.2	31.1	50.2	34.4	36.1	-38.0	-9.6
Bread, white													
All ingredients	Pound	24.0	23.8	22.9	18.9	.8	4.8	3.4	3.4	3.3	3.0	--	3.0
Wheat	Pound	--	--	--	--	--	--	2.6	2.6	2.5	2.4	--	4.0
Bread, whole or cracked wheat	Pound	35.1	32.6	31.2	--	7.7	12.5	3.3	3.2	3.2	--	3.1	3.1
Cookies, sandwich	Pound	51.8	50.4	49.9	--	2.8	3.8	4.7	4.4	4.5	--	6.8	4.4
Corn flakes	12 ounces	31.5	31.5	31.1	24.5	--	1.3	2.7	2.6	2.7	2.4	3.8	--
Flour, white	5 pounds	59.1	58.3	58.3	53.3	1.4	1.4	20.5	20.3	20.2	18.8	1.0	1.5
Apples	Pound	22.3	19.9	25.8	16.1	12.1	-13.6	5.6	3/5.3	9.8	5.0	5.7	-42.9
Grapefruit	Each	16.4	14.6	13.6	10.7	12.3	20.6	4.8	3.0	2.5	2.7	60.0	92.0
Lemons	Pound	30.7	31.4	28.3	18.4	-2.2	8.5	7.8	9.4	9.1	4.2	-17.0	-14.3
Oranges	Dozen	81.0	80.3	82.1	66.0	.9	-1.3	18.4	19.0	17.8	23.2	-3.2	3.4
Cabbage	Pound	16.7	16.4	12.4	8.7	1.8	34.7	5.7	6.3	3.2	2.4	-9.5	78.1
Carrots	Pound	17.0	19.6	16.6	14.5	-13.3	2.4	4.9	6.0	5.1	3.7	-18.3	-3.9
Celery	Pound	23.0	20.8	19.1	15.3	10.6	20.4	7.5	6.3	7.3	4.4	19.0	2.7
Cucumbers	Pound	30.7	37.5	27.6	--	-18.1	11.2	10.9	15.0	8.6	--	-27.3	26.7
Lettuce	Head	28.0	27.5	31.3	22.6	1.8	10.5	7.8	7.9	10.5	6.0	-1.3	-25.7
Onions	Pound	18.2	16.3	13.3	10.1	11.7	36.8	5.8	7.0	3.6	3.4	-17.1	61.1
Peppers, green	Pound	71.9	63.2	43.0	--	13.8	67.2	33.8	27.0	16.0	--	25.2	111.2
Potatoes	10 pounds	94.2	83.8	82.4	58.3	12.4	14.3	29.7	24.9	27.7	17.8	19.3	7.2
Tomatoes	Pound	46.4	44.4	44.2	30.1	4.5	5.0	16.7	16.3	18.1	10.6	2.5	-7.7
Peaches, canned	No. 2 1/2 can	34.7	34.1	34.4	34.3	1.8	.9	5.9	3/5.9	6.1	6.1	--	-3.3
Pears, canned	No. 2 1/2 can	48.5	48.5	50.3	--	--	-3.6	8.3	3/8.3	10.3	--	--	-19.4
Beets, canned	No. 303 can	18.6	18.3	18.2	--	1.6	2.2	1.2	1.2	1.4	--	--	-14.3
Corn, canned	No. 303 can	24.3	24.1	23.7	17.8	.8	2.5	3.0	3.0	3.0	2.4	--	--
Peas, canned	No. 303 can	25.0	24.9	24.7	21.0	.4	1.2	3.7	3.7	3.8	3.1	--	-2.6
Tomatoes, canned	No. 303 can	21.0	20.0	19.5	15.6	5.0	7.7	3.3	3.3	3.7	2.3	--	-10.8
Orange juice, concentrate, frozen	6-ounce can	22.5	23.3	24.9	23.4	-3.4	-9.6	7.3	9.2	11.2	8.2	-20.7	-34.8
French fried potatoes, frozen	9 ounces	16.6	16.5	16.1	--	.6	3.1	2.9	2.7	3.3	--	7.4	-12.4
Peas, frozen	10 ounces	21.1	21.1	20.9	19.9	--	1.0	3.5	3.5	3.6	3.2	--	-2.8
Beans, navy	Pound	19.0	19.2	19.6	16.3	-1.0	3.1	6.7	6.3	8.6	6.9	6.3	-22.1
Margarine	Pound	29.7	28.4	27.8	27.4	4.6	6.8	8.9	3/7.6	7.1	7.8	17.1	25.4
Peanut butter	12-ounce jar	47.2	46.9	45.5	41.4	.6	3.7	16.2	16.1	15.7	14.1	.6	3.2
Salad and cooking oil	Pint	56.2	53.6	51.8	--	4.9	8.5	14.5	3/12.4	11.9	--	16.9	21.8
Vegetable shortening	3 pounds	88.0	85.5	82.9	90.4	2.9	6.2	31.2	26.5	25.2	28.2	17.7	23.8
Sugar	5 pounds	64.2	63.0	61.9	54.5	1.9	3.7	24.5	24.5	25.2	20.2	--	-2.8
Spaghetti with sauce, canned	15 1/2-ounce can	18.4	18.1	17.4	--	1.7	5.7	2.0	2.0	2.1	--	--	-4.8

1/ Product groups include more items than those listed in this table. For example, in addition to the products listed--Choice beef, lamb, and pork (major products except lard)--the meat products group includes lower grades of beef, the minor edible pork products, and veal.

2/ Gross farm value adjusted to exclude imputed value of byproducts obtained in processing.

3/ Many retail cost and farm value figures for April-June 1969 have been revised; figures in other columns revised as indicated.

4/ For the bakery products group and the individual wheat product, the net farm value is based on the market price of wheat received by farmers plus the cost of the marketing certificate to millers. This cost equals the value of the domestic marketing certificate received by farmers complying fully with the Wheat Program.

5/ Data for beef and pork have been extensively revised. For discussion of the revision see article in November 1969 issue of "Marketing and Transportation Situation."

Table 19.--Farm food products: Farm-retail spread and farmer's share of the retail cost, April-June 1970, January-March 1970, April-June 1969 and 1957-59 Average

Product 1/	Retail unit	Farm-retail spread 2/						Farmer's share			
		April-June 1970	January-March 1970	April-June 1969	1957-59 average	Percentage change from		April-June 1970	January-March 1970	April-June 1969	1957-59 average
						January-March 1970	April-June 1969				
		Dollars	Dollars	Dollars	Dollars	Percent	Percent	Percent	Percent	Percent	Percent
Market basket		742.54	3/ 718.44	685.49	594.78	3.4	8.3	39	41	41	39
Meat products		169.06	3/ 157.25	147.53	130.58	7.5	14.6	55	58	58	54
Dairy products	Average quantities purchased per urban wage-earner	113.06	3/ 110.85	106.41	95.48	2.0	6.2	48	49	48	45
Poultry and eggs		43.84	3/ 44.23	39.85	36.74	-0.9	10.0	51	58	3/ 56	61
Bakery and cereal products 4/											
All ingredients	and	148.01	3/ 145.39	138.86	117.85	1.8	6.6	19	19	20	21
Grain	clerical-	--	--	--	--			14	14	3/ 14	16
All fruits and vegetables	worker	196.39	3/ 189.15	183.85	152.91	3.8	6.8	25	3/ 26	28	25
Fresh fruits and vegetables ..	household	94.28	3/ 88.68	86.73	62.45	6.3	8.7	31	31	33	31
Fresh fruits	in	35.60	3/ 33.50	34.92	24.00	6.3	1.9	27	3/ 27	3/ 32	34
Fresh vegetables	1960-61	58.68	3/ 55.18	51.81	38.45	6.3	13.3	33	34	33	30
Processed fruits and vegetables		102.11	3/ 100.47	97.12	90.46	1.7	5.1	19	20	22	19
Fats and oils		27.96	3/ 28.08	27.54	26.37	-0.4	1.5	31	3/ 28	27	30
Miscellaneous products		44.22	3/ 43.49	41.45	38.45	1.7	6.7	18	17	18	18
		Cents	Cents	Cents	Cents	Percent	Percent	Percent	Percent	Percent	Percent
Beef, Choice grade 5/.....	Pound	36.8	36.6	29.3	26.1	0.5	25.6	63	63	70	66
Lamb, Choice grade	Pound	48.1	46.5	41.1	31.9	3.4	17.0	55	56	3/ 59	57
Pork 3/.....	Pound	38.1	33.6	31.3	28.0	13.4	21.7	52	59	56	53
Butter	Pound	23.6	3/ 21.8	22.2	20.6	8.3	6.3	73	3/ 75	74	72
Cheese, American process	pound	28.2	27.3	25.7	18.1	3.3	9.7	44	45	45	44
Ice cream	gallon	56.0	3/ 54.6	53.1	63.2	2.6	5.5	33	34	34	25
Milk, evaporated	1 1/2-ounce can	9.4	9.2	8.9	8.3	2.2	5.6	49	49	49	43
Milk, fresh											
Home delivered	gallon	36.5	35.9	34.3	28.9	1.7	6.4	44	44	44	43
Sold in stores	gallon	28.7	28.6	27.2	24.7	0.3	5.5	50	50	50	47
Chickens, frying, ready-to-cook ..	Pound	22.3	22.1	20.9	19.1	0.9	6.7	46	48	3/ 50	56
Eggs, Grade A large	Dozen	23.0	3/ 24.8	20.9	20.1	-7.3	10.0	57	67	62	64
Bread, white											
All ingredients	Pound	20.6	20.4	19.6	15.9	1.0	5.1	14	14	14	16
Wheat	Pound	--	--	--	--	--	--	11	11	11	13
Bread, whole or cracked wheat ..	Pound	31.8	29.4	28.0	--	8.2	13.6	9	10	10	--
Cookies, sandwich	Pound	47.1	46.0	45.4	--	2.4	3.7	9	9	9	--
Corn flakes	12 ounces	28.8	28.9	28.4	22.1	-0.3	1.4	9	8	9	10
Flour, white	5 pounds	38.6	38.0	38.1	34.5	1.6	1.3	35	35	35	35
Apples	Pound	16.7	3/ 14.6	16.0	11.1	14.4	4.4	25	3/ 27	3/ 38	31
Grapefruit	Each	11.6	11.6	11.1	8.0	0	4.5	29	21	18	25
Lemons	Pound	22.9	22.0	19.2	14.2	4.1	19.3	25	30	32	23
Oranges	Dozen	62.6	61.3	64.3	42.8	2.1	-2.6	23	24	22	35
Cabbage	Pound	11.0	10.1	9.2	6.3	8.9	19.6	34	38	26	28
Carrots	Pound	12.1	13.6	11.5	10.8	-11.0	5.2	29	31	31	26
Celery	Pound	15.5	14.5	11.8	10.9	6.9	31.4	33	30	38	29
Cucumbers	Pound	19.8	22.5	19.0	--	-12.0	4.2	36	40	31	--
Lettuce	Head	20.2	19.6	20.8	16.6	3.1	-2.9	28	29	34	27
Onions	Pound	12.4	9.3	9.7	6.7	33.3	27.8	32	43	27	34
Peppers, green	Pound	38.1	36.2	27.0	--	5.2	41.1	47	43	37	--
Potatoes	10 pounds	64.5	58.9	54.7	40.5	9.5	17.9	32	30	3/ 34	31
Tomatoes	Pound	29.7	28.1	29.4	19.5	5.7	1.0	36	37	36	35
Peaches, canned	No. 2 1/2 can	28.8	3/ 28.2	28.3	28.2	2.1	1.8	17	3/ 17	18	18
Pears, canned	No. 2 1/2 can	40.2	3/ 40.2	40.0	--	0	0.5	17	3/ 17	20	--
Beets, canned	No. 303 can	17.4	17.1	16.8	--	1.8	3.6	6	7	8	--
Corn, canned	No. 303 can	21.3	21.1	20.7	15.4	0.9	2.9	12	12	13	13
Peas, canned	No. 303 can	21.3	21.2	20.9	17.9	.5	1.9	15	15	15	15
Tomatoes, canned	No. 303 can	17.7	16.7	15.8	13.3	6.0	12.0	16	16	19	15
Orange juice, concentrate, frozen	6-ounce can	15.2	14.1	13.7	15.2	7.8	10.9	32	39	45	35
French fried potatoes, frozen ...	9 ounces	13.7	13.8	12.8	--	-0.7	7.0	17	16	20	--
Peas, frozen	10 ounces	17.6	17.6	17.3	16.7	0	1.7	17	17	17	16
Beans, navy	Pound	12.3	12.9	11.0	9.4	-4.7	11.8	35	33	44	42
Margarine	Pound	20.8	3/ 20.8	20.7	19.6	0	0.5	30	3/ 27	3/ 26	28
Peanut butter	12-ounce jar	31.0	30.8	29.8	27.3	0.6	4.0	34	34	35	34
Salad and cooking oil	Pint	41.7	3/ 41.2	39.9	--	1.2	4.5	26	3/ 23	23	--
Vegetable shortening	3 pounds	56.8	59.0	57.7	62.2	-3.7	-1.6	35	31	30	31
Sugar	5 pounds	39.7	38.5	36.7	34.3	3.1	8.2	38	39	41	37
Spaghetti with sauce, canned	1 1/2-ounce can	16.4	16.1	15.3	--	1.9	7.2	11	11	12	--

1/ Product groups include more items than those listed in this table. For example, in addition to the products listed--Choice beef, lamb, and pork (major products except lamb)--the meat products group includes lower grades of beef, the minor edible pork products, and veal.

2/ The farm-retail spread is the difference between the retail cost and the net farm value shown in table on opposite page.

3/ Many farm-retail spread figures for April-June 1969 have been revised; figures in other columns revised as indicated.

4/ For the bakery products group and the individual wheat products, the farmer's share is based on the market price of wheat received by farmers plus the cost of the marketing certificate to millers. This cost is returned to farmers complying with the Wheat Program.

5/ Data for beef and pork have been extensively revised. For discussion of the revision see article in November issue of "Marketing and Transportation Situation."

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